

Jordan, Sheron Y

From: Pat Dywan [p.dywan@att.net]
Sent: Friday, April 03, 2009 2:35 PM
To: _Regulatory Comments
Cc: mdunn@cuna.coop; Imartone@cuna.coop; CBI Federal CU; Robert Kruger; Eugene Sheeren; Tom Landon; Earl Grine; Marilyn Rutkowski; Jerry Pettit; Ruthann Huie; Robert Doty
Subject: Comments on NCUA Advance Notice of Proposed Rulemaking for Part 704

Submitted below are comments on the NCUA Advance Notice of Proposed Rulemaking for Part 704. Also included are CBI Federal Credit Union needs as it relates to Corporate credit unions and their services. The following services are currently being provided by the Corporate credit union network:

Clear checks and cashiers checks
Clear ACH's
Handle domestic wire transfers - in and out
Handle international wire transfers
Provide short-term investments - cash management accounts and short-term (6 months or less) CD's

Payment Services and Liquidity

Payment services are necessary so that small credit unions can continue to exist. Short-term investments with Corporates facilitates cash management.

Field of Membership issues

Keep the current national field of membership structure. This allows natural person credit unions to choose the Corporate credit union with services that best meet their needs. By having Corporates without capital requirements, this allows a member credit union to participate in the offerings of more than one Corporate credit union. It will also allow a member credit union to choose the Corporate that is most aligned with their own risk-taking threshold.

Do not restrict investment in a Corporate credit union to a Corporate where a credit union has a capital deposit. This limits the choices that credit unions have for services and investments.

Two-Tiered System

No preference as long as the functioning of the Corporate system can be met with a one-tiered system.

Corporate Capital.

Establish capital ratios consisting of core capital excluding membership capital accounts.

Risk-based Capital and Contributed Capital Requirements

The NCUSIF share insurance fund is currently being unfairly subsidized by natural person credit unions that have conservative lending and investment portfolios. I personally do not favor Corporate Credit union activity in risky investment products such as collateralized debt obligations, net interest margin securities and subprime securities. However, what is clear is that those institutions that exposed the system to risk were not assessed a risk-based premium for share insurance commensurate with the risk taken (and we can now see that the risk taken was far greater than expected). For any investments that do not have a guaranteed return, the premium should be correlated with risk as it is with risk-based lending programs.

Credit Risk Management

Analyze underlying collateral of investments
Require additional stress modeling tools to enhance credit risk management.
Provide specific concentration limits.

Asset Liability Management

Reinstate requirement to perform net interest income modeling and stress testing for Corporates including testing of credit spread increases.